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TAGS: [KS](#) [KN](#) [PGOV](#) [PREL](#) [ECON](#) [EINV](#)
SUBJECT: SOUTH-NORTH RELATIONS SINCE OCTOBER SUMMIT: HAIL
MARY PASS INCOMPLETE, BUT SOME YARDAGE GAINED

REF: SEOUL 3414

Classified By: POL M/C Joseph Yun. Reasons 1.4 (b/d).

SUMMARY

¶1. (C) President Roh Moo-hyun's October summit with Kim Jong-il was not the fourth-quarter touchdown that progressives were hoping for. Compared to the euphoria of the first South-North summit in June 2000, the public reaction was tepid, with no discernible effect on the presidential campaign. Subsequent high-level inter-Korean meetings and agreements have moved off the front pages as the public is consumed with domestic political developments.

¶2. (C) Nonetheless, the many agreements now on the table point to the possibility of a significant shift in the ROK-DPRK economic relationship, away from aid-based to investment-based initiatives more closely tied to the ROK's private sector. There has also been incremental progress in areas where the North has long refused to give ground: a military guarantee for freight train service across the DMZ starting on December 11; site surveys around North Korea that could lead to major infrastructure projects; increased tourism opportunities; and an increased pace of meetings putting working-level ROK officials in frequent touch with their DPRK counterparts. A DPRK-policy advisor to leading presidential contender Lee Myung-bak chafed about the many agreements piling up, recognized that North Korea will want to pursue them, and indicated Lee, if elected, would launch a thorough review ensuring that engagement was carefully linked to further denuclearization as well as progress on family reunions and POWs. END SUMMARY.

PRESIDENT ROH'S ENGAGEMENT BLITZ

¶3. (C) The August announcement that President Roh Moo-hyun would meet Kim Jong-il that month (subsequently delayed) to open a "new phase of peace on the Korean Peninsula, co-prosperity of the nation and national reunification by expanding and developing inter-Korean relations onto a higher stage..." was a surprise, so late in his term. Other surprises followed: the detailed joint declaration that resulted from the October 2-4 meeting, and the blitz of meetings, agreements and interchange since then.

¶4. (C) The many meetings, agreements and actions since the October 2-4 summit contrasts with the on-again off-again schedule on inter-Ministerial meetings since the June 2000 summit. But most observers take a cynical view: Roh is

burnishing his sunshine-policy legacy, as the North, in a marriage of convenience, is racking up all the agreements it can before a more conservative, reciprocity-minded administration comes into office.

¶5. (SBU) At any rate, the calendar has been full since the October summit. On November 14-16, the first Inter-Korean Prime Ministerial Talks were held in Seoul, resulting in a detailed agreement on economic items (ref A). The second-ever Defense Minister meetings were held in Pyongyang from November 28-30, with a stalemate on the Northern Limit Line (NLL) issue, but an agreement from the North to guarantee the security of cross-DMZ freight train service, which began on December 11. Red Cross Talks on family reunions were at Mt. Kumgang, November 28-30, resulting in agreement to set up a permanent reunion office there, now staffed, while Hyundai Asan completes construction on the reunion center.

¶6. (C) DPRK United Front Director and spy chief Kim Yang-gon visited Seoul and other areas from November 29 to December 1. A Japanese diplomat with long experience here said that the visit to ROK shipyards by this Kim Jong-il confidant (he alone sat next to Kim Jong-il during the October summit meetings) was meant to send the signal that the DPRK was open to South Korean investment.

¶7. (SBU) The Inter-Korean Economic Cooperation Committee, now led at the Deputy Prime Minister level, met in Seoul on December 4-6, adding to the level of detail on economic cooperation agreements. One day tours to Kaesong City (costing about USD 200, with over half said to go the DPRK government) started on December 5.

¶8. (SBU) There's more in December: a Generals'-level

military meeting is being held at Panmunjom about Kaesong Industrial Complex (KIC) passage issues (December 12-14), followed by a flurry of civilian meetings at Kaesong that will launch the Subcommittees for Cooperation on Inter-Korean Agriculture and Fishery (December 14-15), the KIC (December 20-21), and Public Health, Medicine and Environmental Protection (December 20-21). In addition, the Subcommittee for Cooperation on Shipbuilding and Maritime Transportation will meet in Busan, seemingly ignoring the holidays (December 25-28).

¶9. (SBU) North Korea has long resisted the kind of site surveys that South Korea needs to plan economic projects, but this month there are site surveys scheduled for the Kaesong-Pyongyang highway (December 11-27), Kaesong-Sinuiju railway (December 12-18), Anbyeon and Nampo for shipbuilding potential (starting December 11), Tanchon zinc mine (third survey, December 20-26); KIC second stage geology (starting December 17), and a survey for agricultural cooperation (December 21-25). At the very least, the ROKG will end up knowing more about economic conditions in parts of North Korea. For example, MOU officials told us that the Kaesong-Sinuiju rail survey has already revealed serious defects, with many trestles missing, some rail sections missing, and some bridges unstable. Some survey teams include representatives from private ROK companies. Daewoo is thought to be seriously considering shipbuilding.

¶10. (SBU) The pace will continue into 2008. The Subcommittees for Cooperation on Inter-Korean Railways, Cooperation on Inter-Korean Resources Development, Cooperation on Inter-Korean Roads and on Institutions for Inter-Korean Economic Cooperation will meet in Kaesong in January. Further meetings of these groups are planned for as late as April, and the Deputy Prime Ministers are slated to meet again in Pyongyang by next June.

WHAT IS NORTH KOREA THINKING?

¶11. (C) Lee Myung-bak was cited in December 12 news reports

saying that he feared that "the two governments struck many deals ahead of the election," and that he would "scrutinize each of those agreements to see if they are justified." His comment is consistent with the plausible view that the North is in cahoots with the Roh administration to get as many favorable agreements and investment pledges as possible before time runs out. That may explain why the North finally realized the need for give and take and dropped its insistence on banning cross-DMZ train service until the NLL issue was resolved.

¶12. (C) ROKG officials, not surprisingly, dispute the idea that both the South and North are in league to get as many projects on the table as possible. MOU's International Cooperation Team Director Lee Jong-joo said the projects in the recent agreements were ones that the two sides had repeatedly discussed in the past and that technical evaluations showed were feasible. MOU Policy Planning Chief Um Jong-shik stressed both sides "only reached an agreement to keep talking" in most cases. He stressed that these agreements constitute opportunities rather than locked-in commitments, since the DPRK itself has yet to make up its own mind on their economic feasibility and security implications.

¶13. (C) Um and Ministry of Finance and Economy contacts proudly pointed to new committees on inter-Korean legal reform and natural resource development as key steps forward that could pave the way for significant private sector involvement in the DPRK, a missing player up to now. Of course, Um plaintively observed that concrete results remain elusive. Efforts to establish an arbitration panel to resolve investment disputes lies "on a distant shore," he said.

WHAT HAPPENS AFTER FEBRUARY?

¶14. (C) In a December 7 meeting with us, Lee Myung-bak DPRK-policy advisor and Korea University Professor Nam Sung-wook shook his head when talking about the many agreements and meetings going on, saying that even a DPRK specialist such as he had trouble keeping up with it all. He was uncharitable about the motives, saying that the Roh administration clearly wanted to tie the next president's hands, and that it would not be plausible to dismiss the agreements. He said Lee Myung-bak, if elected, would

certainly want to continue engagement policy, provided that denuclearization progress continued, but would inject an element of reciprocity into the mix, insisting that the North increase family reunions and address POW issues. The Roh administration's handiwork would make a tabula rasa review more difficult. At an earlier meeting, Nam stressed that Lee would coordinate with the USG on the pace of inter-Korean engagement.

¶15. (C) MOU's Unification Policy Planning Director General Um was well briefed on the views of Lee Myung-bak's (LMB) DPRK advisory team and indicated his office is preparing for likely transition-period briefings on the inter-Korean agreements reached to date. Um said his office was classifying the range of initiatives into three major categories:

--humanitarian aid (such as rice and fertilizer shipments). Um predicted this component will remain unconditional and stable under a new ROK government since it addresses basic social needs.

--government-level economic cooperation projects (such as road and railway renovations requiring large ROK budgetary outlays and eventual participation by international donors over the long term). Um opined these items will be "thoroughly reviewed" by Lee Myung-Bak's team and carefully linked to continued progress on denuclearization, family reunions, POWs, and military confidence building. He added that this linkage will be flexible, guided by the principle

of "strategic reciprocity" that, on balance, obtains DPRK cooperation in key areas in return for continued infrastructural investments.

--private sector projects (such as natural resource development, KIC expansion, and ship-building yards at Nampo and Anbyeon). Um admitted the ROKG must do its part by (1) persuading the DPRK to offer investment incentives and set up a dispute settlement mechanism, (2) bearing certain infrastructural costs to ensure these projects are accessible to a viable transport network, and (3) stream-lining cross-border regulatory hurdles to facilitate passage, customs, and communications. However, actual progress on these projects will be dictated by the decisions of private companies, thereby giving this component an "autonomous" self-determining character. "We can help build the ballpark, but we cannot assign the players," Um noted.

COMMENT

¶16. (C) Politically motivated as it is, the Roh administration's end-of-term engagement hyperactivity has prompted the North to play along as never before. Before this fall, multiple economic and military meetings broke up without results over the North's insistence that the NLL be renegotiated at the outset. The freight trains crossing the DMZ, site surveys around North Korea, agreements in principle to build infrastructure and increased working-level contacts between South and North Koreans have created new facts on the ground that the next ROKG government will have to take into account, even if it doesn't want to. The pace of South-North engagement going forward will be determined by the next ROKG government's assessment and handling of the relationship, including these new agreements and committees; by the North's decision to continue engaging or to pull back into its shell; and by the funding that the ROKG and ROK private sector are willing to provide. In his last months in office, President Roh has sharply accelerated the pace of the ROK's engagement with the North. The next administration will find it quite difficult to slow down.

VERSHBOW